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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, October 28 & 29

NIKKEI (Page 2) (Full)
October 29, 2008

Oct. 28
07:28

Met Deputy Chief Cabinet Secretary Konoike at the Kantei.

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08:31

Attended a cabinet meeting in the Diet building. Internal Affairs Minister Hatoyama stayed behind. Later, met Finance Minister Nakagawa. Then met Construction and Transport Minister Kaneko. Followed by METI Minister Nikai.

09:16

Reported to the Emperor in private.

10:00

Attended a meeting of the Upper House foreign and defense committees.

12:09

Arrived at the Kantei.

13:00

Returned to the meeting of the Upper House foreign and defense committees.

16:21

Met Deputy Chief Cabinet Secretary Matsumoto.

16:32

Attended a Lower House plenary session.

18:46

Attended a meeting of the Council for Gender Equality.

19:28

LDP Administrative Reform Promotion Headquarters chief Chuma.

20:04

Dined with his secretaries at the ANA inter Continental Hotel Tokyo. Later met New Komeito Secretary General Kitagawa and others.

Oct. 29

00:11

Returned to his private residence in Kamiyama-cho.

4) Defense chief admits MSDF fuel given to antipiracy patrol ships

ASAHI (Page 4) (Full)
October 29, 2008

The Maritime Self-Defense Force, currently on a mission to refuel foreign naval ships backing up antiterror operations in Afghanistan, has provided fuel to those foreign naval vessels in waters near Somalia where the U.S. Navy and other foreign naval forces have been conducting antipiracy operations. On this issue, Defense Minister Hamada told the press yesterday after a cabinet meeting that the foreign naval vessels refueled by the MSDF were alert to pirates and concurrently on patrol similar to antiterror operations as a result. "So," Hamada said, "it's extremely difficult to take it as a task

against pirates." With this, Hamada admitted that the MSDF had refueled foreign naval vessels on a dual mission for antiterror operations and antipiracy activities. He also explained that the MSDF refueling mission has been conducted under the Refueling Assistance Special Measures Law.

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5) Uranium enrichment also subject to verification

TOKYO SHIMBUN (Page 2) (Full)
October 29, 2008

The government yesterday sent Akitaka Saiki, director general of the Asian and Oceanian Affairs Bureau of the Foreign Ministry, to the United States in order to request the U.S. government completely verify North Korea's declaration of its nuclear programs, including uranium enrichment and nuclear proliferation to such countries as Syria, since the government is concerned that such activities are reportedly not subject to verification and may be left behind. Saiki will meet with Assistant Secretary of State Hill and will request uranium enrichment and nuclear proliferation be incorporated in a verification regime that is expected to reach an agreement at the six-party talks.

6) DPJ on offensive

TOKYO SHIMBUN (Page 2) (Full)
October 29, 2008

The leading opposition Democratic Party of Japan (Minshuto), now confronting the ruling parties, launched attacks against the government in a meeting of the House of Councillors Foreign Affairs and Defense Committee yesterday as well, putting aside a government-introduced bill amending the new Antiterrorism Special Measures Law to extend the Maritime Self-Defense Force's refueling activities in the Indian Ocean.

Keiichiro Asao, the first one from the DPJ to take the floor, raised a question about defective panels used for the Shinkansen bullet train railroads in Kyushu. The panels were manufactured and sold by a company managed by Prime Minister Aso's relatives. Asao pointed out that the company had bought party tickets at a total of 3.5 million yen between 2004 and 2007. The prime minister owned up to the facts. Asao noted that the Kyushu Shinkansen construction project is mostly covered by taxpayers' money. "That is a reflux of taxpayers' money, isn't it?" he asked.

Asao also pursued a scandal over the Defense Ministry's procurement. In this case, Yamada Corporation, a trading firm dealing with defense equipment, is suspected of having overbilled the Defense Ministry. "Obviously," Asao said, "this is a crime." He added, "Why do you not report the case?" In reply, Hamada stated the Defense Ministry was still in the process of confirming the big picture. "The Defense Ministry has been confirming ever since last year," Asao said. Time and again, the committee's deliberations were halted by his questions.

The second interpellator from the DPJ, Shinkun Haku, took up the U.S. government's recent delisting of North Korea as a state sponsor of terrorism. "The prime minister has changed. There was an LDP (Liberal Democratic Party) presidential election. So you were too busy to think about delisting, weren't you?" With this, Haku criticized the government. He pointed out the fact that the delisting came the day after Chief Cabinet Secretary Takeo Kawamura stated that there was no official notification about delisting. "That's why," Haku said, "the media says Japan is left out in the cold or defeated on the diplomatic front."

7) Prime Minister Aso's decision to postpone Lower House election

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likely to stall Diet deliberations again

The Diet mood completely changed yesterday, since Prime Minister Taro Aso has decided to push back a dissolution of the House of Representatives and snap election. The Democratic Party of Japan (DPJ), the largest opposition party, which had accepted the ruling coalition's management of Diet affairs, aiming at forcing an early Lower House dissolution, has now assumed a confrontational approach to the ruling camp. The DPJ intends to present various demands. The divided Diet, under which the ruling and opposition parties attempt to face each other down, will likely return.

The main focuses of attention in the ongoing Diet session are the passage of a bill amending the new Antiterrorism Special Measures Law designed to allow the Maritime Self-Defense Force to continue its refueling mission in the Indian Ocean and of a bill revising the Financial Functions Strengthening Law, which would enable the government to inject public funds to regional financial institutions.

DPJ Diet Affairs Committee Chairman Kenji Yamaoka yesterday told reporters: "It will take more time if we take enough time for important bills." He was negative about the passage of the two bills before the end of the week. To avoid criticism that the party is trying to delay deliberations unnecessarily, the DPJ intends to assume a stance of holding necessary deliberations.

Regarding the refueling bill, Yamaoka asserted that persons concerned should be called to testify as Diet witnesses in order to ascertain the present situation in Afghanistan. The DPJ has also called for holding five regional public hearing sessions on the financial legislation in the two chambers of the Diet. The largest opposition party has raised hurdles for the passage of the two bills.

8) DPJ to pursue government on seven issues through thorough deliberations

The Democratic Party of Japan (DPJ) decided yesterday to pursue the government and the ruling parties by demanding thorough deliberations if the government puts off a House of Representatives dissolution for the time being. The main opposition party, fearing public reaction, has no intention to try to prolong or boycott deliberations, but the party is ready to attack the government over seven issues, including falsified pension records and links between politics and religion. The DPJ is expected to take a confrontational stance against the government, even eyeing the possibility of submitting censure motions against Prime Minister Aso and cabinet ministers.

In a meeting yesterday of the House of Councillors' foreign and defense committees over a bill to extend the Maritime Self-Defense Force's refueling mission in the Indian Ocean, DPJ member Keiichiro Asao, defense minister in the shadow cabinet, grilled the government over the issue of Yamada Corp.'s padded billing.

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Later, Upper House Secretary General Kenji Hirata claimed in a press conference: "The government's replies were quite ambiguous." Liberal Democratic Party's Upper House Diet Affairs Committee Chairman Seiji Suzuki met with his DPJ counterpart Susumu Yanase and proposed taking a vote on the refueling bill the same day. But Yanase rejected the request.

The DPJ had taken a stance of offering cooperation in Diet deliberations on the premise of an early Diet dissolution. But senior DPJ Diet Affairs Committee members in their meeting yesterday decided to switch over to a strategy of pursuing the government and the ruling camp by demanding thorough deliberations if the dissolution is put off. Party executives, including President Ichiro Ozawa and Secretary General Yukio Hatoyama, will meet today to

determine the party's Diet strategy. Diet Affairs Committee Chairman Kenji Yamaoka told reporters: "We will not try to prolong or shorten deliberations for the purpose of bringing about early Diet dissolution."

9) Aso to forgo Diet dissolution

TOKYO SHIMBUN (Page 1) (Abridged)
October 29, 2008

Prime Minister Taro Aso made up his mind yesterday to forgo a snap election for the House of Representatives in order to deal with the financial crisis on a priority basis. The election had been anticipated with official announcement scheduled for Oct. 18 and voting and vote-counting set for Oct. 30. Aso conveyed his decision to the New Komeito, his ruling Liberal Democratic Party's coalition partner, through an LDP executive. Meanwhile, there are still calls from within the ruling parties for an early election, so Aso will coordinate with them and will clarify the decision tomorrow when he meets the press to announce an additional package of economic measures.

10) Prime minister drops plan to call general election before year's end; Priority to be given to economic stimulus measures

ASAHI (Top play) (Full)
October 29, 2008

Prime Minister Taro Aso has decided to forgo calling a general election in November to put priority on measures to deal with the global financial crisis. He will hold a press conference on Oct. 30 to unveil a plan to submit a second supplementary budget bill to the Diet to aim at its enactment to prop up the economy. The time of calling the general election is likely to slip to January or later.

The prime minister held talks with LDP Secretary General Hiroyuki Hosoda and Diet Affairs Committee Chairman Tadamori Oshima on the night of Oct. 27. The prime minister conveyed to them a plan to make utmost efforts for the enactment of important bills even if the major opposition Democratic Party of Japan, which is calling for early Lower House dissolution, shifts to a confrontational policy course. LDP executives, who had been endeavoring to set the stage for a general election in November, indicated on Oct. 28 that the postponement of Lower House dissolution was inevitable.

The prime minister met on Oct. 26 with Representative Akihiro Ota of the New Komeito, which had been making preparations for an election in November. The prime minister also met with New Komeito Secretary

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General Kazuo Kitagawa on the night of 28. In those sessions, the prime minister told them that he would prioritize policy over Lower House dissolution so as not to create a political vacuum. The New Komeito is ultimately expected to endorse Aso's plan to postpone the dissolution, with an executive saying, "If the prime minister makes a decision, that cannot be helped."

The prime minister initially planned to dissolve the Lower House after his policy speech and representative interpellations at the beginning the current extraordinary Diet session. He later gave up that plan and searched for ways to call an election in November in the face of the worsening U.S.-originated financial crisis. But given the unstoppable tumble of stock markets, as seen in the Nikkei Stock Average's fall below its post-bubble low, and the yen's appreciation, the prime minister has decided to give priority to measures against the financial crisis.

About the dissolution of the Lower House, the prime minister last night told the press corps, "Policy should take precedence over the dissolution. That's the answer." His decision to postpone the dissolution seems to have been affected partly by an LDP election survey that showed the difficulty for the ruling coalition to maintain a majority.

The prime minister is now likely to search for the timing to dissolve the Lower House after the enactment of a bill amending the

Financial Function Early Strengthening Law and the second supplementary budget bill. Possible dates include: (1) in late December after compiling a fiscal 2009 budget; (2) at the beginning of the next regular Diet session in January; and (3) in April or later after the fiscal 2009 budget clears the Diet.

Now that the prime minister has given up on the November plan, his grip on power is bound to weaken. It would be difficult to tide over the divided Diet in which the opposition bloc is taking an aggressive approach. There are no prospects that the upcoming election campaign will work to the advantage of the ruling camp. Further, the financial crisis is expected to take a toll on the real economy in the near future. The prime minister has indicated that he would determine the "best timing" for the dissolution, but to do so seems difficult. The prime minister's failure to determine an early date has even resulted in a view in the ruling camp that he would not be able to dissolve the lower chamber until the Lower House members' term ends next September.

Meanwhile, the government and the ruling coalition will begin discussing an extension of the current Diet session, due to close on Nov. 30, with the aim of enacting the second supplementary budget and other bills. Depending on how the DPJ moves, the ruling bloc will have to envision the application of the 60-day rule which regards a failure to take a vote in the opposition controlled-Upper House as a de facto rejection under the Constitution. The Diet session might go straight through the New Year, as was last year.

11) Ruling camp coordinating for election postponement

NIKKEI (Page 2) (Full)
October 29, 2008

Preparations are underway to delay the dissolution of the House of Representatives for a snap election. Prime Minister Taro Aso met with New Komeito Secretary General Kazuo Kitagawa yesterday as part

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of efforts to obtain understanding from ruling party members opposed to his idea of postponement by tomorrow, when Aso is scheduled to officially announce the decision. The prime minister intends to give consideration to policy demands by the New Komeito, which has called for an early dissolution.

Liberal Democratic Party Diet Affairs Committee Chairman Tadamori Oshima asked his New Komeito counterpart Yoshio Urushibara yesterday to approve the prime minister's decision, saying: "The prime minister has no intention to dissolve the Lower House in the current Diet session. I would like you to understand his intention."

Aso discussed with Kitagawa and others over the timing for Lower House dissolution at a Tokyo hotel last night. Kitagawa reiterated his view that an early dissolution is desirable. Prior to this meeting, he said in a meeting of the New Komeito Parliamentary Group: "The idea of dissolving the Lower House on Oct. 30 or 31 has disappeared, but the option of an election on Dec. 7 is still available." In the party, however, an increasing number of members have begun to support the prime minister's decision. One member said: "If we try to force the prime minister to change his mind, we might come under fire from the public." Another commented: "If discord emerges in the ruling camp, the DPJ will be in a favorable position."

The government and the LDP have decided to carry out fixed-amount tax cuts worth 2 trillion yen. A senior LDP member said of this formula: "We accepted the New Komeito's assertion that benefits should reach low-income earners." They intend to respond to requests related to fiscal issues from the New Komeito in a flexible manner.

12) Lower House dissolution put off; New Komeito having difficult time

YOMIURI (Page 4) (Full)
October 29, 2008

As Prime Minister Taro Aso has decided to push back a general

election for the House of Representatives, the New Komeito, which has called for an early dissolution of the Lower House, and the religious sect Soka Gakkai, the New Komeito's main support body, are now having a hard time. The New Komeito plans to continue preparing for a snap election for the time being, but some party members have begun voicing their acceptance of the prime minister's decision.

The New Komeito, the coalition partner of the ruling Liberal Democratic Party (LDP), held yesterday a meeting of all its Lower House members at party headquarters. Secretary General Kitagawa instructed said: "At this stage, we cannot make sure the timing of Lower House dissolution. I want you to continue your efforts for the election." Party head Akihiro Ota also said: "Let us ready to fight in the election!"

The New Komeito's real intention is that the interval between the upcoming snap election and the next summer's Tokyo Metropolitan assembly election should be as much as longer possible. The party envisaged that a Lower House election would be held on Nov. 20 and an official campaign would be kicked off on Nov. 18. So Soka Gakkai has been preparing for an election. A party official said: "We cannot simply drop our plan, even though we are told that the election will be delayed."

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With Tokyo stock prices plunging to a postbubble low, some in the party said that the party should stop for a while preparations for the election and start all over again. New members are concerned that the distance between a general election and the Tokyo Metropolitan assembly election will become close. A senior party official said: "Not just putting off the election, we want (the prime minister) to show a specific strategy." Some in the party also have insisted that if the Diet is thrown into confusion by delaying tactics by the Democratic Party of Japan (DPJ), the Lower House should be dissolved.

Meanwhile, the Soka Gakkai adopted in an executive meeting yesterday a policy of continuing its activities for the election until Nov. 10. This means that the religious sect sees that there still remains a possibility that a Lower House election will be held on Dec. 7. There is a view in the Soka Gakkai criticizing the New Komeito leadership for failing to force an early dissolution of the Lower House dissolution.

13) Ruling camp to review Diet strategy, with Aso's decision to delay Lower House election

MAINICHI (Page 2) (Full)
October 29, 2008

The government and the ruling camp are now being pressed to drastically review their Diet strategy as Prime Minister Taro Aso has decided to delay a House of Representatives election to next year. It has become difficult for them to schedule Diet deliberations because the Democratic Party of Japan (DPJ) has been seeking an early Lower House dissolution, but the main opposition party has now begun to call for thorough deliberations on key bills. This DPJ stance has made it almost impossible for the government to push through the Diet by the end of this month a bill amending the New Antiterrorism Special measures Law to extend Japan's refueling mission in the Indian Ocean.

In a meeting with Liberal Democratic Party's (LDP) House of Councillors Diet Affairs Committee Chairman Seiji Suzuki in the Diet Building yesterday, his DPJ counterpart Susumu Yanase declined Suzuki's proposal for a vote to be taken on the refueling bill in a meeting of the Upper House's foreign and defense committees yesterday. The LDP was forced to continue deliberations on the bill today and after.

Keeping in mind the possibility of dissolving the Lower House later this month, the LDP and the New Komeito were ready to deliberate on the refueling bill, a bill amending the law to strengthen the nation's financial functions, and other key bills on a priority basis. But with the prime minister's decision on the timing for

dissolution, the session will last for another month. In a meeting of the LDP Diet Affairs Committee yesterday, committee Chairman Tadamori Oshima indicated his willingness to review the committee's strategy early next week on how to handle those bills in the session.

The government and the ruling camp intend to intensively discuss a bill amending the gun control law, a bill amending the citizenship law, since it was judged unconstitutional, and other bills in the remaining session, with the aim of pushing them through the Diet at an early date. Aso plans to hold a press conference tomorrow, the day when the government plans to announce a package of additional

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economic measures. Following this, a second supplementary budget bill to finance these measures will also be in focus.

Meanwhile, the DPJ will hold an executive meeting today, including President Ichiro Ozawa, to determine what approach the party should take in the Diet session. Its initial strategy was to prompt the government to dissolve the Diet by agreeing to an early enactment of key bills. But the party is now expected to take a strategy to pursue the government by demanding thorough deliberations and in that way bring about Diet dissolution.

Ozawa met with Diet Affairs Committee Chairman Kenji Yamaoka yesterday. They agreed on the view that the party should force the government to dissolve the Lower House by demanding thorough deliberations but should not prolong the deliberations too long.

14) Government, ruling parties considering including cash stipend system in second supplementary budget bill in implementing fixed-sum tax break

MAINICHI (Page 2) (Excerpts)
October 29, 2008

The government and the ruling parties on October 28 started considering additional economic stimulus measures with the possibility of submitting to the current Diet session portions of the package as a second supplementary budget for fiscal 2008. The improvement of the credit guarantee framework of the Credit Guarantee Association and the loan framework of government-affiliated financial institutions will likely be included in the bill as a measure to help small- and medium-size businesses manage operating funds. The government is also undergoing final coordination with the aim of adopting a cash stipend system of directly paying cash to tax payers in implementing a fixed-sum tax break, the main pillar of the additional economic stimulus package. It is now considering incorporating the plan into the bill as well.

The government and the ruling parties want to enact related bills at an early date, while determining the DPJ's response.

Regarding the adoption of a fixed-sum tax cut, the government and the ruling parties first considered a 65,000 yen cut for a standard household with a married couple and two children, based on the fixed-sum tax cut implemented in 1998 during the then Hashimoto administration. It had also intended to pay special cash stipend to pensioners and people in other categories who do not pay the income and local taxes.

15) Lower House begins deliberations on bill strengthening functions of financial institutions; Prime minister positive toward revision talks

NIKKEI (Page 2) (Excerpts)
October 29, 2008

A Lower House plenary session yesterday entered into deliberations on a bill amending the Financial Function Early Strengthening Law allowing the government to pump public funds into financial institutions. Prime Minister Taro Aso indicated that the ruling bloc would actively hold revision talks with the major opposition Democratic Party of Japan. The focus would be on the DPJ's demand

for a system to require prior Diet approval for injecting capital into the Norinchukin Bank and to question the responsibility of the management of financial institutions.

The Lower House Financial Affairs Committee will begin deliberations on the revision bill. With the DPJ calling for local public hearings and thorough deliberations, it seems difficult for the bill to pass the Lower House before the end of the week.

In the Lower House plenary session, the prime minister explicitly said: "In the event the opposition bloc presents concrete proposals, we would like to discuss them actively if that can help produce better plan swiftly through deliberations." After the plenary meeting, the prime minister also told the press corps: "If there are good (ideas), I think we should adopt them."

A Financial Function Early Strengthening Law revision bill and the DPJ's views

Government plan DPJ's views

Aim To facilitate lending to small and mid-sized companies. To ease the credit crunch, the financial inspections manual must be revised.

Norinchukin Bank Allows the government to pump funds into the bank and subsidiary financial institutions via the bank. Prior Diet approval and the disclosure of the names of subsidiary financial institutions are necessary.

Management responsibility Not required for capital infusion. The responsibility of the management must be questioned in injecting funds for factors separately from the financial crisis.

16) Zero growth in fiscal 2008 in real terms, BOJ to substantially revise down projection

TOKYO SHIMBUN (Top Play) (Full)
October 29, 2008

The Bank of Japan (BOJ) on October 31 will hold a regular policy-setting meeting. The central bank is expected to finalize The Outlook for Economic Activity and Prices (Outlook Report) envisioning the form of the economy through 2010. It will likely revise down an estimate for the growth rate of real GDP this fiscal year from 1.2 PERCENT, projected in the previous July interim report, to the lower 0 PERCENT level. It will come up with an effectively zero growth projection, the lowest level since fiscal 2001.

Behind the harsh projection is the slowing pace of an increase in exports in the wake of the slowdown in overseas economies and sluggish consumer spending. The BOJ will also likely revise down its projection for growth in the fiscal 2009 GDP from 1.5 PERCENT to the upper 0 PERCENT. Projecting economic recovery in fiscal 2010, it will estimate growth in real GDP in fiscal 2010 at the mid-1 PERCENT level.

In the meantime, concerning the current BOJ policy interest rate of 0.5 PERCENT per annum, Deputy BOJ Governor Yamaguchi indicated his perception that it is the extremely low accommodative level.

The central bank will likely undergo coordination, based on the notion of maintaining the present level.

However, central banks of six major nations -- the U.S. and European countries, including the U.S. Federal Reserve Boards (FRB), implemented coordinated cuts in policy interest rates by 0.5 PERCENT. The BOJ indicated a stance of supporting their action. However, it did not fall in line with them. Since the turmoil in the financial market is still continuing, there has appeared a possibility of their further cutting interest rates.

In response to a situation like this, the BOJ is being pressed to cut the rate, with State Minister for Economic and Fiscal Policy Kaoru Yosano noting, "Cutting the interest rate from the current 0.5 PERCENT to 0.25 PERCENT would have no economic impact. However, it would have a symbolic meaning in terms of international cooperation."

SCHIEFFER